

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 NEA-10 ADP-00 COME-00 INT-08

SCEM-02 TRSE-00 CIAE-00 DODE-00 PM-07 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

OMB-01 RSR-01 /133 W

----- 048290

R 101304Z JUL 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 7097

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

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BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, KU

SUBJECT: ACTING MINISTER OF OIL COMMENTS ON PARTICIPATION

SUMMARY: ACTING MINISTER FINANCE AND OIL IN STATEMENT
TO PRESS LAID DOWN MOST STRINGENT TERMS YET RE UPCOMING
PARTICIPATION NEGOTIATIONS. HE CALLED FOR 51 PERCENT
INITIAL PARTICIPATION AND SAID GOK WILL WANT MARKET
AS MUCH AS POSSIBLE ITS SHARE PARTICIPATION CRUDE.
ACTING MINISTER INDICATED OTHER ARAB BULF STATES HAD
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BEEN CONSULTED BY GOK AND URGED THEM TO FOLLOW GOK

LEAD. HE ALSO INDICATED LATEST GOK MOVES WERE RESULT
PARLIAMENTARY OPPOSITIVON TO INITIAL PARTICIPATION
AGREEMENT AND RAPIDLY CHANGING WORLD ENERGY SITUA-
TION. END SUMMARY.

1. KUWAIT MINISTER OF PUBLIC WORKS AND ACTING
MINISTER FINANCE AND OIL HAMOUD AL-NISF IN REMARKS
APPEARING IN KUWAIT PRESS JULY 8 LAID DOWN MOST
STRINGENT TERMS YET BY SENIOR GOK OFFICIAL REGARDING
SECOND SET PARTICIPATION NEGOTIATIONS SCHEDULED BEGIN
LATE THIS MONTH. NISF SAID PREVIOUS NEGOTIATIONS WERE
NULL AND VOID AND THAT GOK WILL PRESS FOR 51 PERCENT
INITIAL PARTICIPATION. HE ALSO SAID GOK WILL WANT
MARKET MAXIMUM SHARE PARTICIPATION CRUDE AND GOK DOES
NOT RPT NOT INTEND INCREASE COMPENSATION TO COMPANIES
ABOVE AMOUNT ALREADY AGREED UPON. HE EXPRESSED HOPE
OTHER ARAB OIL PRODUCING STATES WILL NOW FOLLOW IN
KUWAIT'S FOOTSEPS AND TAKE INITIATIVE TO REVIEW
AGREEMENTS WITH COMPANIES OPERATING IN THEIR TERRITO-
RIES. HE ADDED CONTACTS UNDERWAY WITH SAUDI ARABIA,
QATAR AND ABU DHABI TO COORDINATE PETROLEUM POLICIES.

2. ACCORDING RAI AL AM NISF REVEALED FOR FIRST TIME
THAT DURING NEGOTIATIONS WHICH LED TO FORMER AGREEMENT
BP AND GULF HAD ASKED FOR COMPENSATION FOR OIL THEY
HAD DISCOVERED IN VARIOUS AREAS OF KUWAIT BUT GOK
REJECTED REQUEST ON GROUNDS THAT OIL REMAINING UNDER-
GROUND BELONGS TO STATE AND COMPANIES ENTITLED TO
COMPENSATION ONLY FOR QUANTITIES EXTRACTED.

3. NISF'S REMARKS AS REPORTED IN PRESS INDICATES GOK
WAS SATISFIED WITH PREVIOUS AGREEMENT AS OF TIME OF
SIGNING BUT COMBINATION NATIONAL ASSEMBLY OPPOSITION
AND REPIDLY CHANGING WORLD ENERGY SITUATION INCLUDING
VARIOUS GOVERNMENT-COMPANY AGREEMENTS ELSEWHERE LED GOK TO
DETERMINE NEW NEGOTIATION NECESSARY. DAILY NEWS REPORTED
NISF SAYING THIS SITUATION PROMPTED INDUSTRIAL COUNTRIES
SUCH AS FRANCE AND GERMANY AND EVEN AMERICAN OIL COMPANIES
TO MAKE TEMPTING OFFERS FOR PURCHASE OUR OIL AND AFFIRMED
THAT THE MARKETING QUESTION FORMS NO OBSTACLES IN OUR
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FUTURE NEGOTIATIONS WITH OIL COMPANIES".

4. COMMENT: NOT CLEAR EXTENT TO WHICH NISF'S REMARKS MUST
BE CONSIDERED AUTHORI-
TATIVE STATEMENT GOK VIEWS SINCE HE MINISTER
FINANCE AND OIL IN ACTING CAPACITY. HIS CALL FOR 51
PERCENT INITIAL PARTICIPATION WITH NO ADDITIONAL
COMPENSATION AND PARTICULARLY DEMAND THAT GOK MARKET

MAXIMUM AMOUNT PARTICIPATION CRUDE REPRESENTS MOST STRINGENT DEMAND TO DATE. IT COULD REPRESENT INITIAL GOK BARGAINING POSITION BUT AS IT STANDS IT IS TROUBLING TO KOC, ACCORDING TO SENIOR COMPANY OFFICIAL WHO NOTED INITIAL LEVEL PARTICIPATION NOT AS IMPORTANT AS AMOUNT OF CRUDE. GULF AND BP WILL BE ALLOWED MARKET. IN SHORT, TOTAL PACKAGE IS KEY.

5. NISF ALSO INDICATED PUBLICLY FOR FIRST TIME THAT GOK HAD CONSULTED WITH OTHER ARAB GULF PRODUCERS THOUGH HIS CALL FOR THEM TO FOLLOW GOK APPEARS TO US AS NEW ELEMENT.

6. CONTINUED ABSENCE VIRTUALLY ALL KEY MINISTRY FINANCE AND OIL OFFICIALS PREVENTS US FOR TIME BEING FROM ATTEMPTING GAIN ELABORATION OR CLARIFICATION. A SENIOR KOC OFFICIAL WAS TOLD BY ASSISTANT UNDERSECRETARY OIL AFFAIRS HE NOT CONSULTED PRIOR NISF STATEMENT. ANOTHER SENIOR KOC OFFICIAL TOLD US HE LEARNED ATIQI WHO IN CAIRO FOR ARAB ECONOMIC UNITY MEETINGS IS " FURIOUS" OVER NISF REMARKS.
STOLTZFUS

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